



*Department of Health
and Human Services*

*Maine People Living
Safe, Healthy and Productive Lives*

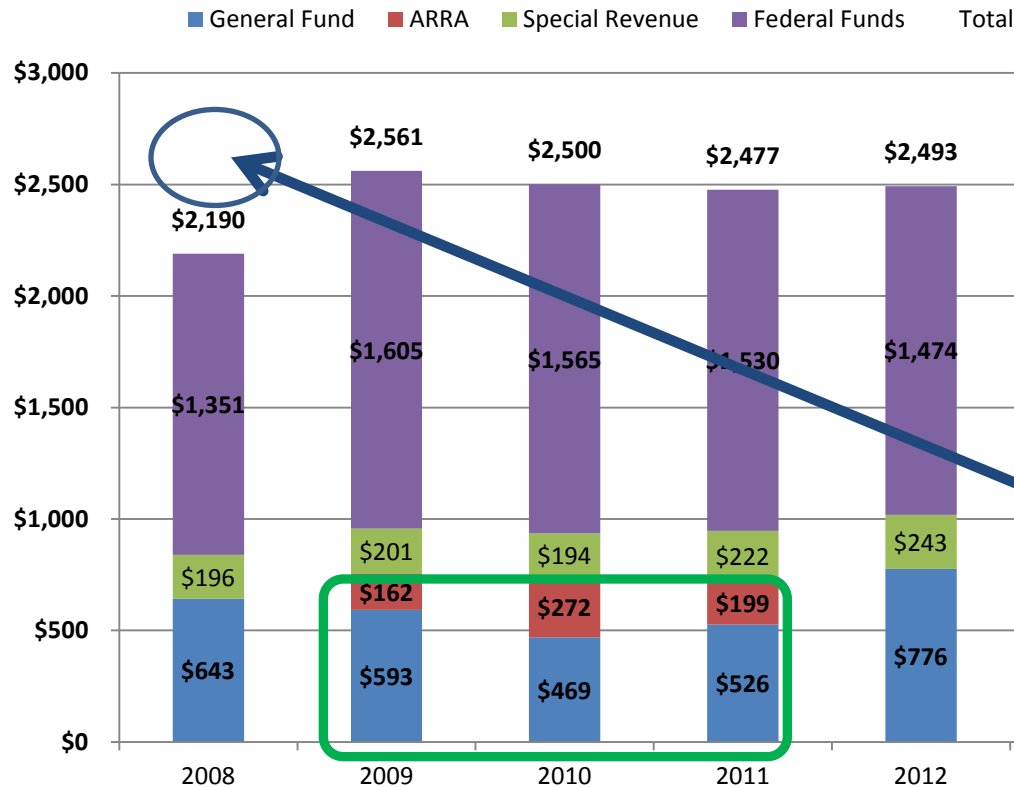
Paul R. LePage, Governor

Mary C. Mayhew, Commissioner

126th Legislative Session Biennial Budget Overview

Importance of the Loss of ARRA

Since 2009 Total MaineCare expenditures have been flat while the average national increase in Medicaid spending went up 3.9% since 2002



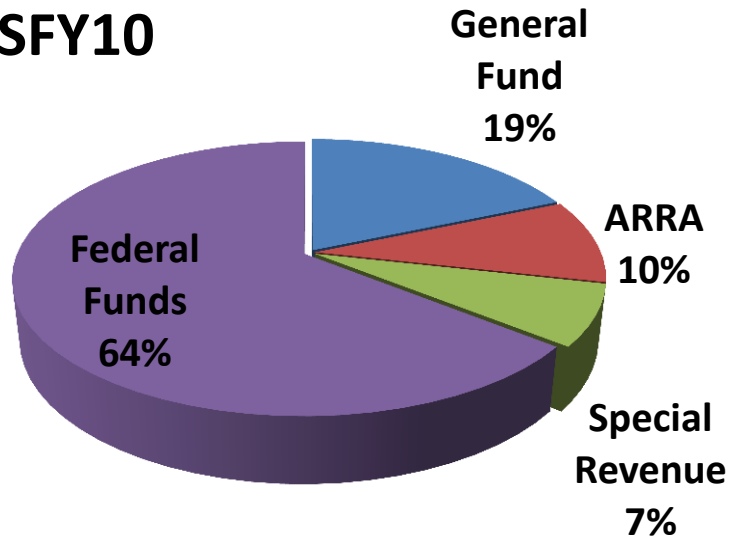
- From 2009 to 2011 Federal ARRA funding was used to substitute for part of General Fund expenditures
- Hospital settlement payments increased \$240M from 2008 to 2009
- Premiums for *employer sponsored family health coverage* increased 97% from 2002 to 2012

\$755M \$741M \$725M

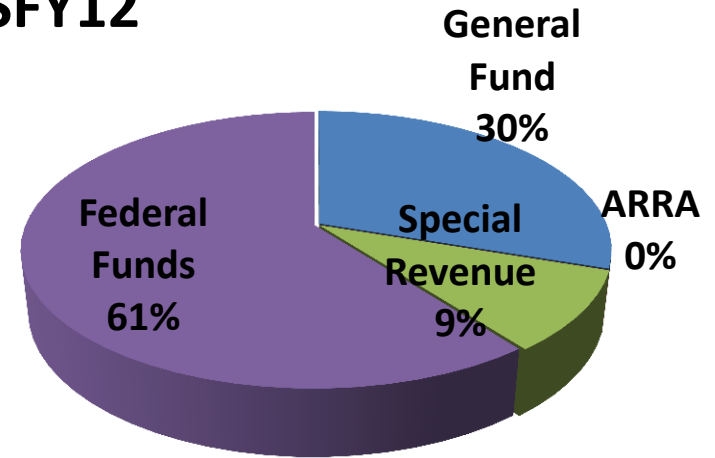
GF Expenditures in the absence of ARRA

The Effect of Losing MaineCare ARRA on the General Fund

SFY10

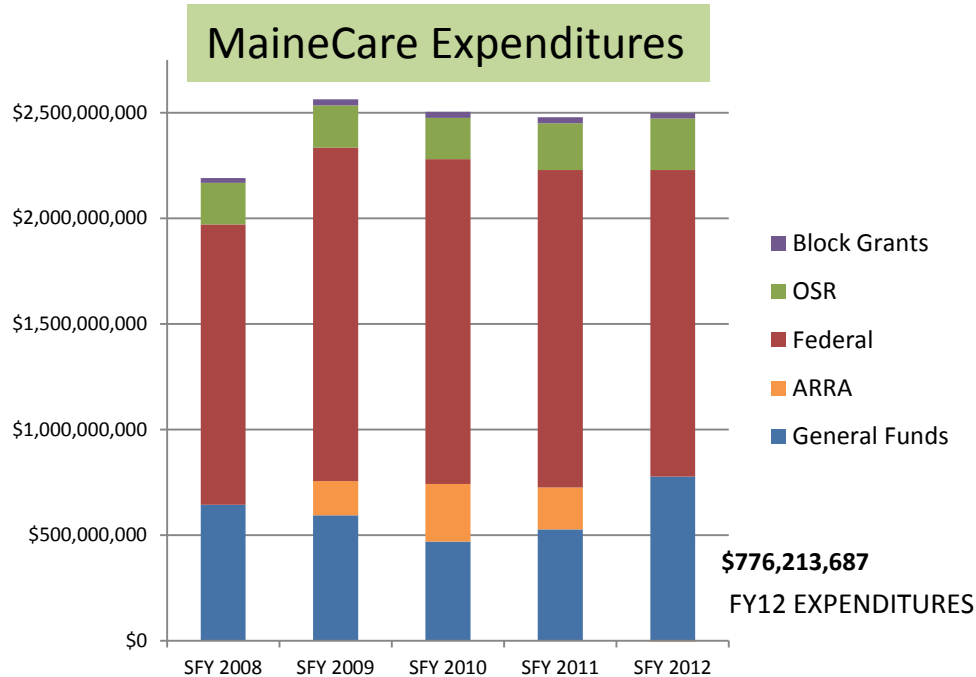


SFY12



General Fund Expenditures Increased 65%
in 2012 Compared to 2010

MaineCare Funding Gap



MaineCare GF Projected Expenditures* VS MaineCare Budget*

	BUDGET	PROJECTED EXPENDITURES
SFY 13	\$658.3	\$739.9
SFY14	\$678.1	\$756.4
SFY15	\$678.6	\$742.3

*in Millions

	<u>Legislatively Approved Budget SFY 2013</u>	<u>Current Baseline Budget SFY 2014</u>	<u>Net MaineCare Initiatives SFY 2014</u>	<u>Total MaineCare SFY 2014</u>	<u>Current Baseline Budget SFY 2015</u>	<u>Net MaineCare Initiatives SFY 2015</u>	<u>Total MaineCare SFY 2015</u>
General Funds	\$739,922,273	\$678,101,275	\$78,319,802	\$756,421,077	\$678,662,946	\$63,634,173	\$742,297,119
Federal	\$1,678,762,487	\$1,550,615,806	\$104,472,737	\$1,655,088,543	\$1,550,648,353	\$127,154,562	\$1,677,802,915
OSR	\$235,201,424	\$231,110,736	\$28,568,034	\$259,678,770	\$231,110,736	\$23,185,264	\$254,296,000
Block Grants	\$27,806,574	\$27,806,574	\$0	\$27,806,574	\$27,806,574	\$0	\$27,806,574
ARRA	\$0	\$0	\$0	\$0	\$0	\$0	\$0

**Large Supplemental Funding Requests Will Continue
Until the Gap is Bridged**



Components of the Biennium Budget Submission

- DHHS has Submitted 87 Initiatives in 5 Broad Categories:
 - 24 Personnel Related Initiatives
 - 22 Initiatives Supporting the Department's Core Mission
 - 20 Initiatives Supporting Departmental Administration
 - 3 Mandated Initiatives
 - 18 Savings Initiatives

SFY14 Request by Fund

SFY2014--All Initiatives

	General	Federal	OSR	Block Grant
Supporting Core Mission	\$ 129,640,829	\$ 172,029,728	\$ 24,663,172	\$ -
Department Administration	0	(12,451,279)	(22,608,817)	(1,413,732)
Mandates	19,738,786	2,100,687	(438,565)	0
Personnel Actions	104,485	303,936	252,351	(3,300)
Savings Initiatives	(59,821,980)	(46,021,723)	12,556,402	0
	\$ 89,662,120	\$ 115,961,349	\$ 14,424,543	\$(1,417,032)

SFY2014--MaineCare and Office of MaineCare Services

	General	Federal	OSR	Block Grant
Supporting Core Mission	\$ 116,883,305	\$ 171,649,780	\$ 12,000,000	\$ -
Department Administration	2,000,000	(3,236,973)	(23,601)	2,000,000
Mandates	14,544,966	2,100,687	0	0
Personnel Actions	171,852	111,560	0	0
Savings Initiatives	(58,441,245)	(46,021,723)	13,170,490	0
	\$ 75,158,878	\$ 124,603,331	\$ 25,146,889	\$ 2,000,000

SFY15 Request by Fund

SFY2015--All Initiatives

	General	Federal	OSR	Block Grant
Supporting Core Mission	\$ 141,427,637	\$ 216,803,386	\$ 24,663,172	\$ -
Departmental Administration	0	(12,415,666)	(32,223,614)	(1,413,732)
Mandates	23,808,401	(19,219,927)	(580,953)	0
Personnel Actions	120,731	334,965	271,416	(2,522)
Savings Initiatives	(75,234,218)	(62,255,072)	17,252,024	0
	\$ 90,122,551	\$ 123,247,686	\$ 9,382,045	\$ (1,416,254)

SFY2015--MaineCare and Office of MaineCare Services

	General	Federal	OSR	Block Grant
Supporting Core Mission	\$ 131,257,757	\$ 216,437,800	\$ 12,000,000	\$ -
Department Administration	(18,000,000)	(3,201,560)	(9,638,333)	2,000,000
Mandates	16,887,109	(19,219,927)	0	0
Personnel Actions	178,552	116,723	0	0
Savings Initiatives	(72,863,697)	(62,255,072)	17,869,596	0
	\$ 57,459,721	\$ 131,877,964	\$ 20,231,263	\$ 2,000,000



Personnel Actions Initiatives

- Majority of initiatives are to correct the cost allocation plan. This will avoid potential future audit findings.
- Moves positions administratively to the Offices to which the positions support

Departmental Administration Initiatives

- Majority of initiatives are to adjust allocation to accurately reflect anticipated expenditures
- Adjusts funding where grants have changed
- Transfers funding where programs have changed or been eliminated

Initiatives Supporting the Department's Mission

- Provides increased funding to support State-funded foster care and adoption subsidies -\$8.4M
- Provides funding for mental health services for individuals not eligible for MaineCare (Consent Decree)- \$2M
- Provides funding for the new Medicaid waiver for Other Related Conditions-\$3.6M
- Provides funding for the Long-Term Care Ombudsman- \$405K

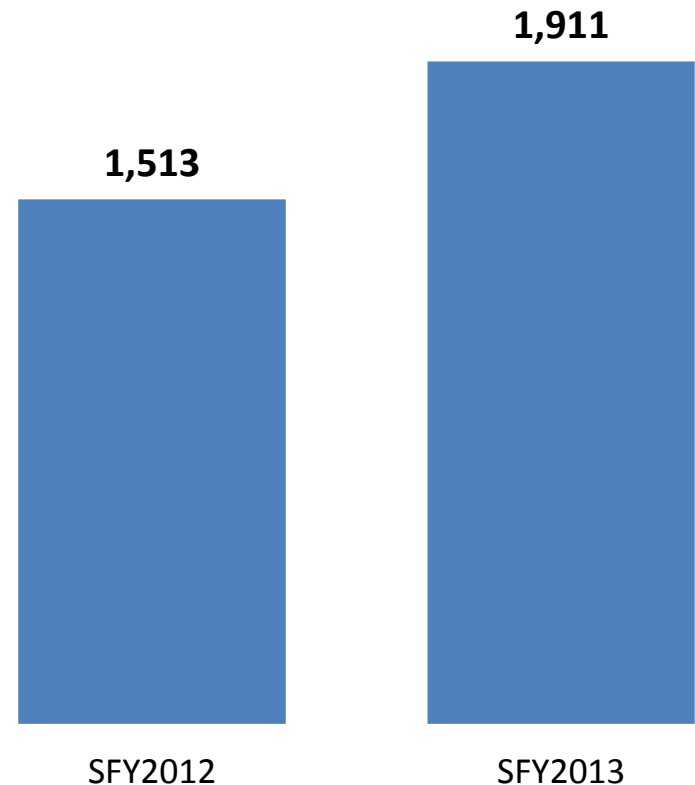
Initiatives Supporting the Department's Mission

Foster Care / Adoption Assistance

This initiative provides funding in the State Funded Foster Care/Adoption Assistance program for the projected increase in the number of children entering foster care in 2014 and 2015. An additional \$4.2 million per year covers the increase of \$3.2 million annually for **room and board expenses**, an additional \$1 million to **childcare, clothing expense and diaper** or similar expense through SFY 14/15 for new entries into foster care.

Year	Funds Requested
SFY 14	\$4,200,000
SFY 15	\$4,200,000

Number of children entering Foster Care
SFY 2012 and 2013



Initiatives Supporting the Department's Mission

Mental Health Support (Consent Decree)

This initiative provides funding to meet the legal requirements of the Bates vs. State of Maine Consent Decree to provide for the mental health needs of the community.

It funds identified unmet needs in the Mental Health Services Community Programs account for the purposes of rental assistance, and mental health services for individuals not eligible for MaineCare in order to care for those in need and comply with the terms of the Settlement Agreement.

Year	Funds Requested
SFY 14	\$2,000,000
SFY 15	\$0

Initiatives Supporting the Department's Mission

Medicaid Waiver for Other Related Conditions

This initiative provides funding for the new Medicaid Waiver for Other Related Conditions (ORC). This waiver meets the requirements set by the Federal Court in Van Meter vs. DHHS Commissioner. Immediate Care Facilities (IFC's) are the cost neutrality standard for the waiver.

Funding Requested:

Year	State	Federal Match	Total
SFY 14	\$1,514,573	\$2,451,316	\$3,965,889
SFY 15	\$2,451,316	\$3,357,236	\$5,808,552

Initiatives Supporting the Department's Mission

Developmental Services' Waiver for Section 21

This initiative provides funding to increase the allocation to Section 21 Home and Community Based Waiver for individuals with Intellectual Disabilities and Autism Disorder.

Funding Requested:

Year	Funds Requested
SFY 14	\$3,048,590
SFY 15	\$3,415,890

Priority level	High-level Criteria	# Currently on Waitlist
Priority 1	In need of adult protective services	167
Priority 2	At risk for abuse in absence of benefit services	262
Priority 3	Living in unsafe or unhealthy circumstances	372
	Total Waitlist	801



Mandated Initiatives

- Costs to comply with International Classification of Diseases (v.10)-\$1.5M
- Costs to comply with Seven Conditions and Standards (ACES and MIHMS) –partially funded in the Supplemental-\$1.9M*
- Costs to reflect decrease in the Federal Medicaid Assistance Percentage-\$40M

*-FY13 Emergency Supplemental changed biennium requirements

Mandated Initiatives

Mandated Updates of Health Care Codes to ICD-10

A federal mandate under the Health Insurance Portability and Accountability Act (HIPAA) requires the health care industry to upgrade health care transactions to accept a broader, more detailed set of medical diagnosis/treatment codes and a new associated code structure. **Maine must comply with this mandate by October 1, 2014 – Failure to achieve readiness could result in failed MaineCare claims transactions and delays in settlements.**

Funding Requested:

Year	State	Federal Match	Total
SFY 14	\$967,983	\$8,368,872	\$9,336,855
SFY 15	\$511,853	\$4,606,679	\$5,118,532

Benefits of Mandatory Upgrade

Enhanced precision in claims adjudication based on the ICD-10 diagnosis/treatment codes being at a greater level of detail

Enhanced opportunity to assess provider effectiveness

Improved ability to detect fraud and abuse

Stronger environment for effective claims analytics

Mandated Initiatives

Business Process and IT Mandates under the Affordable Care Act

This initiative funds the ACA mandates to make significant changes in business process and information technology. These changes include:

- Connecting to the federal health insurance exchange
- Determining eligibility
- Medicaid categories
- CMS seven conditions and standards

These required changes are accompanied by a 90/10 federal funding match from CMS.

Additional funding is requested for SFY14 and SFY15 because funding requested in SFY13 was pushed in the supplemental budget.

Funding Requested:

Year	State 10% Seed	Federal 90% Match	Total
SFY 14-15	\$1,900,000*	\$17,100,000	\$19,000,000

*-FY13 Emergency Supplemental changed biennium requirements

Mandated Initiatives

Decrease in Federal Medicaid Assistance Percentage (FMAP)

As in previous years, the Federal Medical Assistance Percentage (FMAP) for Medicaid has been reduced. Maine's FMAP has been reduced from **62.57%** in Federal Fiscal Year 2013 to **61.55%** in Federal Fiscal Year 2014, a **rate reduction of 1.02%**.

This decrease results in a **request for an additional \$17.9 million in SFY 2014**, and **\$23.8 million in SFY 2015** to fund Medicaid programs.

The additional funds required as a result of the FMAP decrease include these major categories (*not all categories shown*).

Program	Increased Cost to State - 2014	Increased Cost to State - 2015
Medical Care Services	\$9,916,306	\$13,161,021
Nursing Facilities	\$2,410,677	\$3,214,235
Developmental Services Waiver - MaineCare	\$1,870,359	\$2,493,813
Community Mental Health Services	\$896,696	\$1,195,593
Child Mental Health Services	\$777,675	\$1,036,900

Savings Initiatives

- Potential \$134M in savings over the biennium
- Eighteen individual initiatives

Savings Initiatives - MaineCare

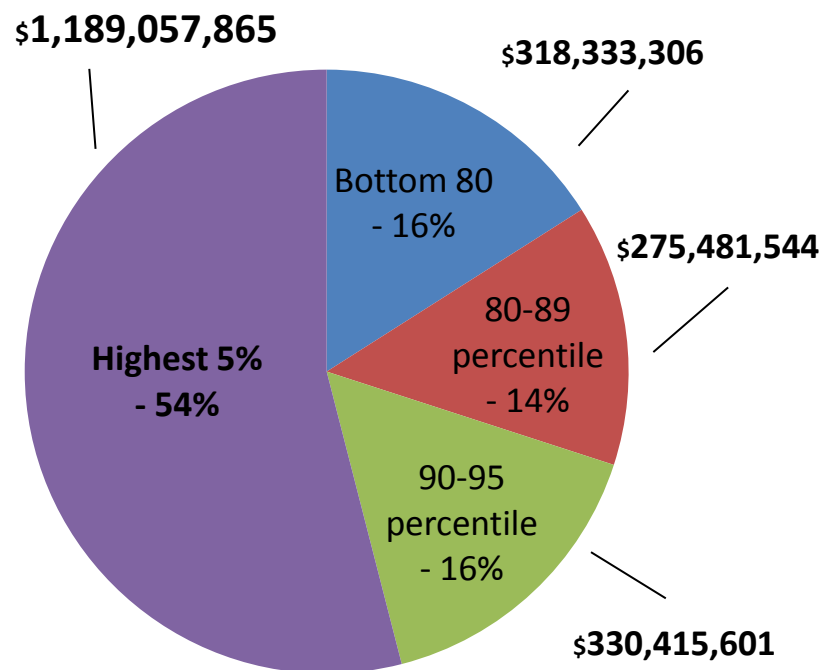
Targeted Care Management

This initiative achieves savings by implementing Targeted Care Management through a combination of current work with Value-Based Purchasing specific to the bottom 80% of spending, and strategies including the utilization of the Value-Based Purchasing care management program and other initiatives including Health Homes, Emergency Department diversion, ACO's and High Five Teams to target MaineCare's top 20% of utilizers.

Savings:

Year	State	Federal	Total
SFY 14	\$6,567,000	\$10,628,601	\$17,195,601
SFY 15	\$15,467,000	\$24,759,268	\$40,226,268

Expense by Cost Distribution SFY 2011



Savings Initiatives - MaineCare

Medicare Savings Plan & Crossover Payments

MSP to Federal Levels

This initiative achieves savings by aligning the Medicare Savings Plan (MSP) with Federal levels of eligibility. Currently, Maine is one of two states that offer eligibility at a level greater than the federal government's minimum level.

Eliminate Crossover Payments

This initiative achieves savings by ending the MaineCare reimbursement of co-insurance and deductibles for individuals who received MSP benefits. This is a result of aligning MSP eligibility with Federal levels.

Savings:

Year	MSP Savings	Crossover Payments Savings	Total
SFY 14	\$5,357,485	\$2,905,138	\$8,262,623
SFY 15	\$10,714,978	\$8,263,504	\$19,978,482

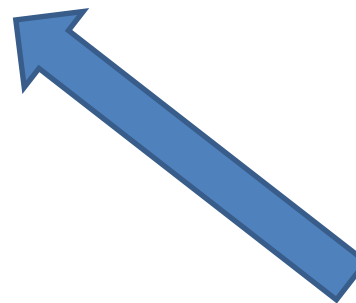
*there will be a change package initiative that will impact this savings number

Savings Initiatives - MaineCare

Drugs for the Elderly (DEL)

Category	Expenditure	# of Members	Annual per Member Cost
Copay	\$5,167,510	82,339	\$62.76
Deductible	\$24,259	450	\$53.91
Excluded Drugs	\$975,557	52,306	\$18.65
Gap	\$58,994	282	\$209.20
Part D Premiums	\$782,105	2,100	\$372.43
Total	\$7,008,425		

This initiative achieves cost savings by removing funding for the DEL program. There are 4,584 DEL-only members.



Total SFY expense by category and annual Per Member Cost

Savings:

Year	State
SFY 14	\$7,008,425
SFY 15	\$7,008,425

Savings Initiatives - MaineCare

Reimburse LCSW's for Dual-Eligibles

Currently, Maine reimburses for LCSWs as well as LMFTs and LCPCs for Behavioral Health Services for dual-eligible members – this initiative would require Behavioral Health Services to dual-eligible members to be provided by an LCSW in order to receive reimbursement. This aligns with Medicare, and ensures that MaineCare is the payor of last resort, which is the design of the system.

Additional Information

- MaineCare's current enrollment of providers includes 785 LCPCs, 34 LMFTs, and 1,494 LCSWs.
- Approximately 3,200 dual eligible individuals received services from an LMFT or LCPC in SFY 2012. These members would be forced to shift services to an LCSW.

Savings:

Year	State	Federal	Total
SFY 14	\$3,300,000	\$5,314,005	\$8,614,005
SFY 15	\$3,300,000	\$5,282,575	\$8,582,575

Savings Initiatives - MaineCare

Critical Access Hospitals

Currently MaineCare reimburses Critical Access Hospitals at 109% of allowable costs. This initiative achieves savings by reducing reimbursements to align with Medicare's current reimbursement rate of 101%.

In SFY 2012, Critical Access Hospitals (CAH) were paid \$91,123,522 through Prospective Interim Payments (PIP), representing 16% of total hospital spending.

Maine has 16 Critical Access Hospitals

• Blue Hill	• Mount Desert Island
• Bridgton	• Penobscot Valley
• Calais	• Redington-Fairview
• Charles A. Dean	• Rumford Community
• Down East Community	• Saint Andrews
• Houlton Regional	• Sebecook Valley
• Mayo Regional	• Stephen's Memorial
• Millinocket	• Waldo County General

Savings:

Year	State	Federal	Total	% of total SFY Spending
SFY 14	\$2,448,000	\$3,962,055	\$6,410,055	7 percent
SFY 15	\$2,448,000	\$3,918,710	\$6,366,710	7 percent

Savings Initiatives - MaineCare

Reimbursement for Leave Days

This initiative reduces cost in the MaineCare budget by ending reimbursement from MaineCare for leave days.

This initiative was proposed by the MaineCare Redesign Task Force, which made a recommendation for this initiative as a short-term cost savings measure. The MaineCare Redesign Task Force was created in 2012 by State legislative mandate and tasked with finding savings in the MaineCare program.

Savings:

Year	State	Federal	Total
SFY 14	\$640,000	\$1,035,831	\$1,675,831
SFY 15	\$640,000	\$1,024,500	\$1,664,500

Savings Initiatives - MaineCare

Hospital Outpatient Rate Reduction

Outpatient Spending:

Year	State	Federal	Total	% of total SFY spending
SFY12 Actual	\$47,904,639	\$82,625,717	\$130,530,356	24 percent
SFY13 Projected	\$61,581,229	\$103,735,766	\$165,316,995	28 percent

This initiative reduces cost in the Medicaid budget through a 10% reduction in Hospital Outpatient Reimbursements (Section 45, MaineCare Benefits Manual).

There are 19 “Acute Care” hospitals in Maine reimbursed through these real-time payments that reduce the incurrence of debt.

Savings:

Year	State	Federal	Total
SFY 14	\$4,900,000	\$7,930,584	\$12,830,584
SFY 15	\$4,900,000	\$7,843,823	\$12,743,823

*there will be a change package initiative that will impact this savings number

Savings Initiatives - MaineCare

Medically Needy Individuals in a Spend Down Category

This initiative achieves savings by eliminating state-funded medical coverage for individuals who are meeting a deductible necessary to become MaineCare eligible and who reside in Private Non-Medical Institutions. The State is paying 100% of their services (less cost of care) while the individual is meeting their deductible.

***Total Rate Code 53 Spending SFY
2011 – 2012***



SFY 2011	SFY 2012
\$25,996,289	\$27,956,447

Savings:

Year	State
SFY 14	\$386,000
SFY 15	\$386,000

***Note:** This initiative is done on a prospective basis, grandfathering existing members in this eligibility category.

Savings Initiatives - MaineCare

Remove Medical Add-Ons, Section 21 & 29

This initiative achieves savings by ending the increased reimbursement to providers for medical add-ons.

Medical add-ons are an increase in reimbursement given to providers in a case where a member who has a medical condition that requires additional care.

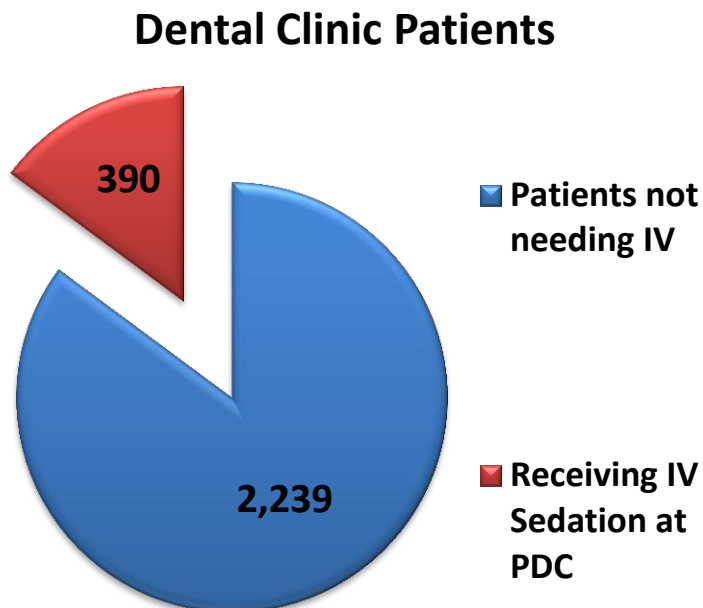
Savings:

Year	State
SFY 14	\$636,765
SFY 15	\$1,455,464



Savings Initiatives - MaineCare

Portland Dental Clinic



This initiative achieves savings by ending funding for the Portland Dental Clinic run by Riverview Psychiatric Center.

Riverview has experienced increased financial pressure, and through the zero based budgeting process, identified the Dental Clinic as being the least congruent with its mission.

Savings:

Year	Savings
SFY 14	\$797,670
SFY 15	\$803,879

- This initiative will affect the 390 IV sedation patients. **The Department is continuing to explore with providers the possibility of providing services related to IV sedation.**



Savings Initiatives – Office for Family Independence

Cash Assistance for Legal Non-Citizens

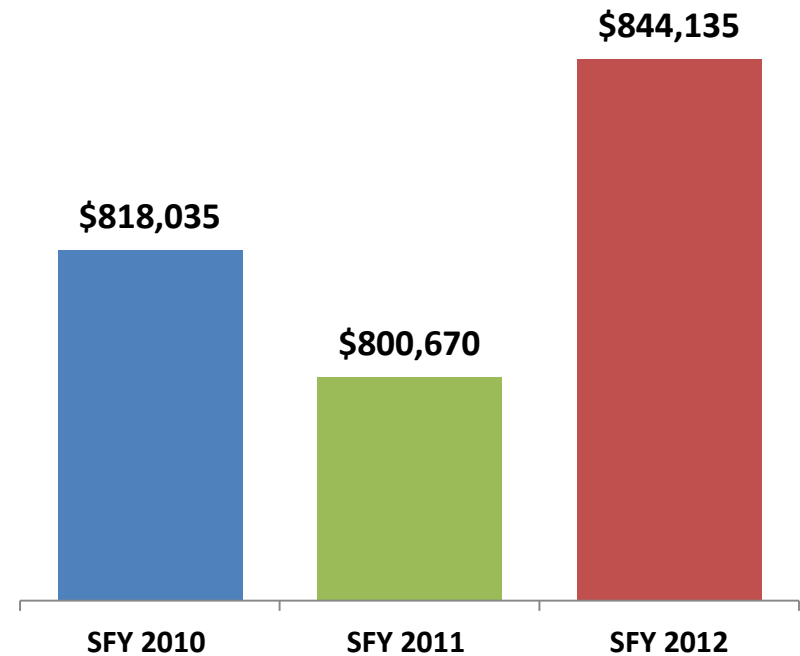
This initiative achieves savings by aligning state policy with federal policy and discontinuing the awarding of SSI cash benefits to legal non-citizens beyond the level of support the federal government provides.

Current Maine law offers cash assistance to those legal non-citizens who are not eligible under the federal welfare reform of 1996 (PRWORA).

Savings:

Year	Savings
SFY 14	\$551,678
SFY 15	\$740,637

Cash Assistance
Legal Non Citizens 2010 - 2012



Currently, 82 legal non-citizens who are not eligible for SSI cash assistance under federal policy are receiving cash assistance from the State

Ineligible Spouse Disregard

This initiative achieves savings by eliminating the optional income deduction. This initiative will count a couple's actual income when determining eligibility for MaineCare and the Medicare Savings Program, instead of allowing some income to be disregarded.

Savings:

Year	Savings
SFY 14	\$208,308
SFY 15	\$476,133



Savings Initiatives – Other

Balancing Incentive Program

This initiative achieves savings by utilizing the Balancing Incentive Payment Program to receive a 2% increase in the FMAP for Home and Community Based Services. This initiative requires structural changes that align with current DHHS goals and work.

Savings:

Year	Savings
SFY 14	\$8,100,000
SFY 15	\$8,100,000

The Balancing Incentives Program (BIP) is an Affordable Care Act temporary incentive available to states that commit to increase use of Medicaid non-institutional Home and Community Based Services (HCBS). For Maine, the incentive is **a 2% increase in the FMAP for HCB services**. To qualify for this increased FMAP, Maine must commit to spend 50% of its Medicaid Long Term Services (LTSS) on HCBS. Currently, Maine spends 49.1% of Medicaid LTSS on HCBS.



Initiatives in Change Package

- General Assistance was inadvertently omitted from the printed budget and will be included
- Two initiatives as a result of Legislatively authorized deferrals in the SFY13 Supplemental
- Includes updates to original biennial submission

Savings Initiatives – Office of Family Independence

General Assistance

Year	Request
2014	\$ 333,927
2015	\$1,019,745

Projected Costs in General Assistance are rising approximately 13% per year. Based on our current projections, the Department would need to request 9.48 million dollars in the Biennial budget for SFY 14 & 15. To mitigate the need, we have included five initiatives to achieve savings and reduce the financial request.

This initiative achieves savings by:

Initiative	Savings '14	Savings '15
Reducing reimbursement rate for municipalities to 50%	\$2,523,685	\$2,839,146
Eliminating eligibility for those time limited off the TANF or full family sanctioned	\$197,363	\$215,305
Limiting housing to 270 days	\$250,943	\$250,943
Reducing the maximum benefit by 10%	\$576,221	\$576,221
Implementing GA Work Group Recommendations	\$350,702	\$350,702

NOTE: If savings initiatives are not adopted, increased dollars **MUST** be appropriated to make up the difference